June 26, 1995

Mr. William F. Caton
Secretary, Federal Communications Commission
1919 M Street NW Room 222
Washington DC 20554

Re: ET Docket No. 93-7 -- Notice of Ex Parte Communication

Dear Mr. Caton:

I am enclosing two copies of a statement by the Information Technology Industry Council (ITI) for inclusion in the file for ET Docket No. 93-7. The statement expresses ITI's position on the FCC's role in setting standards to promote cable equipment compatibility. Please contact me if you have any questions.

Sincerely,

Rhett Dawson
President

Enclosures

cc: Mark A. Corbitt

ITI POSITION STATEMENT

Federal Communications Commission

Cable Equipment Compatibility Rulemaking

(ET Docket No. 93-7)

The Information Technology Industry Council (ITI), which represents the leading U.S. providers of information technology products and services, believes that governmentally-mandated standards for computer and communications applications should be adopted sparingly. Technological innovation lies at the heart of America's competitive advantage in the information processing industry, in which ITI members have pioneered technical advances without artificial governmental constraint on the architecture, functionalities, interconnectivity or interoperability requirements of our products. Market forces in information technology have not only secured for American consumers the greatest variety of technically advanced products in the world, but have increasingly resulted in the development of interoperability standards promoting the interchangeability of hardware (CD-ROMs, computer diskettes, etc.), software (graphics, spreadsheets, etc.), and communications (modems, facsimile machines, etc.) products.

A multiplicity of services and products are under development that will bring to the home new information, education, and communications capabilities, and that promise to provide consumers with access to entertainment, education, and communications providers. New technological innovation in information technology is arising from a convergence of the computer, consumer electronics, telecommunications, and software industries. A minimal, but important, role for government in this process is to ensure that as this new market develops, it achieves its fullest potential and consumer choice is assured through full and fair competition.

Multichannel video programming services and technologies are rapidly evolving. The adoption of standardized interface connections to multichannel video programming services will permit continued evolution and development while protecting consumers from investments in products that quickly become obsolete as well as from a proliferation of incompatible products. To ensure these goals are met, the pending proposals before the Federal Communications Commission in its ongoing cable equipment

compatibility rulemaking (ET Docket No. 93-7) ought to be guided by three principles: procompetitive regulations; unbundling of customer premises equipment; and an open and accessible standards development process.

Regulations Should be Unswervingly Procompetitive

First, under the 1992 Cable Act, the FCC was charged with eliminating incompatibilities between cable converters and consumer video equipment. Many different industries, including the computer as well as the telephone, electric utility, and cable television industries, are in the process of developing innovative approaches to the interface between American consumers and the "information infrastructure." Ultimately, there must be interoperability between the consumer's equipment and telephone, cable, and other broadband circuits.

The FCC could discharge its responsibility under the Cable Act by adopting regulations on cable equipment compatibility that specify the minimum technical requirements necessary to resolve the specific problem identified in the Act. Such regulations would ensure physical interconnectivity through the minimum degree of interoperability necessary at common interfaces between cable system operators and video equipment to avoid consumer confusion. In implementing the Act, however, the FCC has assumed responsibility for promoting competition within the multichannel video programming market by seeking to ensure that cable, video dialtone, direct broadcast satellite, and other providers will have an equal opportunity to deliver content to consumers. Achieving this goal could require the imposition of more extensive standards. As it determines the appropriate level of government intervention, the FCC must carefully weigh the benefits of accelerating competition in the multichannel video programming market against the costs of imposing equipment standards that go beyond the minimum necessary to resolve the specific problem identified by Congress.

Any regulations imposed on equipment manufacturers to achieve these goals should be unswervingly procompetitive. This requires the Commission to recognize that, where competition exists, market forces should be relied on to the extent possible to meet consumer needs. At the same time, however, the Commission must also recognize that where competition has not taken root, carefully tailored regulatory intervention may be appropriate.

The FCC should strive to avoid setting a precedent for digital video transmission standards in this proceeding. The technical and commercial issues raised by transmission of digital communications are largely a clean slate. The solution developed in response to the 1992 Cable Act for problems

arising in the analog domain should have not precedential effect on how these future digital issues are resolved.

Unbundling of Customer Premises Equipment From Provision of Services

Second, in its deliberations on the degree of intervention necessary to satisfy the 1992 Cable Act's statutory mandate, the FCC should avoid a resolution that establishes any equipment -- whether the set-top box, the television, or the computer -- as the sole gateway through which analog cable signals must pass.

One of the cleanest approaches to the compatibility problems addressed by the 1992 Cable Act would be to mandate the delivery of all cable television programming to the customer's premises "in the clear," that is, with all scrambling removed. ITI is sympathetic, however, to the legitimate need of cable television programmers to protect the security of their products, as protection of intellectual property rights is also a substantial concern in our industry.

So long as there remains no technical alternative to scrambling, ITI believes the FCC should apply to the cable television industry the same unbundling and open architecture principles it has adopted in the telephone industry.

- Security functions should be unbundled from other functions, with all non-security functions available in equipment sold at retail by unaffiliated manufacturers

- The physical interface between video equipment (televisions, VCRs, etc.) and security modules should be standardized, allowing for the interchangeability of decoder modules with set-top devices manufactured with different levels of technical sophistication for varying consumer needs. Standardization should provide only the minimum degree of interoperability at common interfaces necessary for compatibility mandated by the 1992 Cable Act.

An Open and Accessible Standards Development Process

Third, standards for protocols for communication among audio-video equipment, computer equipment, set-top devices, and other consumer electronics equipment should generally be left to voluntary development by industry or market forces. The FCC should intervene only in those instances where there has been a demonstrable failure by the voluntary, industry

standards process to assure that this new market achieves its fullest potential and to ensure that artificial technical barriers do not impede competition or consumer choice.

The industry-led voluntary standards process is open to all interested parties in both the public and private sectors. Voluntary standards provide producers and users the opportunity to choose how and when to use standards, based on the pressures and consequences of marketplace activity. Thus, voluntary standards, by allowing freedom of choice, permit users and suppliers to best meet their common interests. Consensus standards also benefit from a wide range of thinking and ensure that individuals and organizations have the opportunity to provide input on the development of standards that will in turn affect them. Further, voluntary standards also permit technological innovations to proceed. Government-imposed technical requirements, on the other hand, are likely to freeze technology and inhibit innovation.

Conclusion

In short, the FCC should adopt in ET Docket No. 93-7 a standardization approach that balances the need to stimulate additional competition in the multichannel video programming market with the costs of imposing equipment standards beyond those necessary to resolve the specific equipment compatibility problem identified by Congress. Consumers should be able to purchase their interface equipment from a variety of different sources, with physical interconnectivity and critical interoperability assured, while features, functionalities and services are provided in response to market demand with minimal intrusions imposed by government technical requirements. Although due regard should be allowed for necessary programming security protection, maximum reliance should be placed on market forces and the voluntary industry-led standards process for the development of any necessary standards.